

## Message Text

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ORIGIN COME-00

INFO OCT-01 ARA-06 EUR-12 IO-10 ISO-00 FEA-01 AGR-05

CEA-01 CIAE-00 DODE-00 EB-07 FRB-03 H-01 INR-07

INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 /104 R

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ARA/LA/JSLATTERY

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R 281734Z FEB 75

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

INFO USMISSION GENEVA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: ETRD:BR

SUBJECT: BRAZILIAN DECREE - LAW NO 1366 OF NOV. 29, 1974

REF: (A) STATE 22053 OF 1/30/75; (B) BRAZILIA 585 OF 1/22/  
75; (C) BRAZILIA 143 OF 1/7/75; (D) RIO DE JANEIRO A-157  
OF 12/16/74.

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1. ACCORDING TO REFAIR TRANSLATION, DECREE-LAW NO. 1366 OF NOVEMBER 29, 1974 INSTITUTES INCREASED IMPORT DUTIES - TO 50 PERCENT FROM 7 PERCENT - ON A NUMBER OF AIRCRAFT ITEMS (UNDER BTN HEADINGS 88.01, 88.02, AND 88.03) WHICH ARE INCLUDED IN THE U.S.ABRAZIL ARTICLE XXVIII AGREEMENT. WHEREAS DUTY INCREASES INSTITUTED BY DECREE-LAW NO. 1364 AFFECTING ARTICLE XXVIII CONCESSIONS ARE TO BE ROLLED BACK WHEN THE AGREEMENT IS PROMULGATED, REFTEL (C) STATES THAT THE GOB IS PLANNING TO RENEGOTIATE ITS ARTICLE XXVIII CONCESSIONS ON THE AIRCRAFT ITEMS.

2. TO AVOID APPEARANCE (AND FACT) THAT BRAZIL PLANNING IMPLEMENT ARTICLE XXVIII CONCESSIONS WHICH DO NOT FULLY CONFORM TO U.S.-BRAZIL AGREEMENT, EMBASSY REQUESTED TO INFORM GOB THAT USG SUGGESTS GOB (1) IMMEDIATELY PROMULGATE THE AGREED ARTICLE XXVIII CONCESSIONS, INCLUDING THOSE ON AIRCRAFT, (2) NOTIFY THE GATT OF PROMULGATION OF ARTICLE XXVIII AGREEMENT IN ITS ENTIRETY, AND (3) SIMULTANEOUSLY NOTIFY ITS WISH TO WITHDRAW THE ABOVE MENTIONED AIRCRAFT ITEMS FROM ITS NEW SCHEDULE OF CONCESSIONS UNDER ARTICLE XXVIII:4.

3. DECREE-LAW NO. 1366 ALSO ESTABLISHES A "MINIMUM VALUE GUIDE" (MVG) FOR VARIOUS TYPES OF AIRCRAFT IMPORTED UNDER BTN 88.02. INITIAL ANALYSIS CONFIRMS EMBASSY'S BELIEF THAT THESE NEW MVG ARE HIGHER THAN THE AVERAGE SELLING PRICE. FOR INSTANCE, U.S. SALES OF SINGLE ENGINE AIRCRAFT OF ALL SIZES AND WEIGHTS TO BRAZIL IN 1974 (U.S. SCHEDULE B7341010) COMPRISED 602 UNITS WITH A TOTAL FOB VALUE OF 16.7 MILLION DOLLARS. THIS GIVES AN AVERAGE PRICE PER UNIT OF 27,700 DOLLARS. THE NEW BRAZILIAN BTN 88.02 SUBHEADINGS FOR SINGLE ENGINE AIRCRAFT SPECIFY MVG OF 35,000 DOLLARS AND 53,000 DOLLARS, DEPENDING ON THE WEIGHT OF THE AIRCRAFT. ALTHOUGH THE CIF IMPORT VALUE WOULD RESULT IN A HIGHER AVERAGE VALUE PER UNIT THAN THE FOB EXPORT VALUE ON WHICH THE U.S. EXPORT STATISTICS ARE BASED, THE MVG STILL SEEMS UNREALISTICALLY HIGH AND COULD, IF RIGIDLY ADHERED TO, RESULT IN AN EFFECTIVE DUTY MUCH HIGHER THAN THE NEW 50 PERCENT AD VALOREM RATE.

4. GIVEN THE VARIETY OF NON-TARIFF BARRIERS AFFECTING THE IMPORTATION OF AIRCRAFT, SUCH AS THE NEW MVG, IMPORT LICENSING LIMITED OFFICIAL USE

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REQUIREMENTS, AND PRIOR COTAC APPROVAL FOR ALL LICENSES FOR AIRCRAFT IMPORTS, IT IS QUESTIONABLE WHETHER THE USG WOULD BE WILLING TO ACCEPT NEW TARIFF CONCESSIONS ON AIRCRAFT WHEN THE ARTICLE XXVIII NEGOTIATIONS TO COVER THIS WITHDRAWAL ARE INITIATED.

5. TO HELP CLARIFY SITUATION, EMBASSY REQUESTED TO DISCUSS WITH GOB AND REPORT FURTHER ON RATIONALE FOR SERIES OF MEASURES RESTRICTING IMPORTS OF AIRCRAFT.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
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**Draft Date:** 28 FEB 1975  
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**Disposition Case Number:** n/a  
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**Disposition Date:** 28 MAY 2004  
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